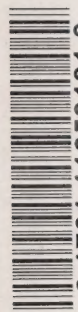


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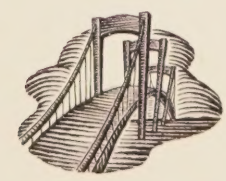
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*Development  
Corporations  
of Ontario*



➔ *ANNUAL REVIEW*

1993-1994



## *OUR BUSINESS ...*

**T**he Development Corporations of Ontario, Crown agencies of the Ministry of Economic Development and Trade, provide timely financial assistance and related advisory services to small and medium sized Ontario-based businesses in partnership with private sector financial institutions.

The Corporations further the economic development and public policy objectives of the government of Ontario by enhancing the growth and competitiveness of Ontario firms.

Direct assistance to business includes: loans to finance export production and receivables; loan guarantees and loans to support expansion and productivity improvement; investments in emerging technology companies; and loans to entrepreneurs to start businesses.

In addition, acting as agents for various Ontario ministries and agencies, the Development Corporations provide loans and guarantees for businesses in specific sectors of the economy, such as tourism and agriculture, under programs developed by the province to support those sectors.



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Minister	The Honourable Frances Lankin
Deputy Minister	Peter Barnes

Board Chairs	
Ontario Development Corporation	Matthew Gaasenbeek
Northern Ontario Development Corporation	Anthony Carfagnini
Eastern Ontario Development Corporation	Louise Tardif
Innovation Ontario Corporation	Jack Ripley

President and Chief Executive Officer	Susan Strelloff
Vice-President, Lending Operations	John Symington
Vice-President, Portfolio Management Services	Harvey Glower
Vice-President (acting), Innovation Ontario Corporation	Charles Lum



# THE YEAR IN REVIEW

Creating and retaining jobs for Ontarians, by helping firms become more successful, continued to be the driving force behind the efforts of the Development Corporations of Ontario.

The Corporations worked in cooperation with Ontario businesses, traditional financial institutions, key associations and other government ministries and agencies to play a key part in the economic renewal of the province.

The Corporations helped firms grow and expand by providing assistance in the form of loans, loan guarantees and equity. Together, in 1993-94, the Ontario Development Corporation (ODC), Northern Ontario Development Corporation (NODC), Eastern Ontario Development Corporation (EODC) and Innovation Ontario Corporation (IOC) administered a portfolio of more than \$1 billion.

## HIGHLIGHTS 1993-94

- Firms assisted by the Corporations in 1993-94 created or retained more than 40,000 jobs.
- The Corporations approved loans, loan guarantees and investments valued at more than \$270 million to more than 4,600 businesses across Ontario.
- IOC approved 43 proposals totalling \$13 million in investments to small technology-based companies. IOC's divestments and royalties generated \$9 million of income.
- Loans disbursed through the Export Support Loan Program reached record levels, providing more than \$87 million in export assistance to finance foreign receivables.
- The New Ventures, Youth Ventures and Aboriginal Business Ventures programs helped more than 4,000 small businesses in starting up last year with more than \$50 million in loan guarantees.
- Two new programs targeted to filling specific financing gaps in the private sector were introduced. The Tourism Recovery Program, administered by the Corporations on behalf of the Ministry of Culture, Tourism and Recreation, provides working capital loans to fundamentally sound tourism operators. The Aboriginal Business Ventures program provides up to \$15,000 to assist business start-ups in aboriginal communities.
- In 1993-94, administration of the Youth Ventures program, formerly overseen by the Ministry of Economic Development and Trade, was merged with the Development Corporations' New Ventures program. The streamlined operations have yielded savings in administrative costs.



# *THE BOARDS OF DIRECTORS*

**C**omprised of private citizens representing all regions of Ontario and a range of business and professional expertise within those regions, the Boards of Directors form an important link between the Development Corporations and Ontario's business community.

Board members perform a vital role by drawing on their own extensive business experience, as well as their personal knowledge of

the economic needs of their particular region or industry.

The Boards recommend policies affecting the Development Corporations, and review and approve applications for financial assistance to small and medium-sized businesses.

In addition to these duties, the Boards supervise the affairs of the Corporations, including programs, lending practices and administration.

## **ONTARIO DEVELOPMENT CORPORATION**

MATTHEW GAASENBEEK, Toronto - Chair  
 SHIRLEY DAWE, Toronto - Vice-Chair  
 YVONNE BLACKWOOD, Markham  
 ANN CLARKE-OKAH, Ottawa  
 JACK GRANT, Woodbridge  
 RALPH McLEOD, Etobicoke  
 WALTER MUROFF, Windsor  
 JOSE MUT, North Bay  
 ROY STEEL, Toronto  
 RON STRUYS, Toronto  
 LOUISE TARDIF, Ottawa

## **RETIRED MEMBERS:**

GORDON COWPERTHWAIT, Toronto - Chair  
 ROBIN DEVINE, Toronto  
 DAWN MADAHBEE, Manitoulin Island  
 PATRICIA NEILSON, Fort Frances  
 JACK RIPLEY, Chatham  
 WILLIAM WEN, Toronto

**NORTHERN ONTARIO DEVELOPMENT CORPORATION**

ANTHONY CARFAGNINI, Thunder Bay - Chair  
LIONEL BONHOMME, Timmins  
HARRY BRAUN, Thunder Bay  
HEIDI BREIER, Elliott Lake  
ANN COLE, Sudbury  
SHARON MANITOWABI, Manitoulin Island  
NELSON McKAY, Sault Ste. Marie  
JOSE MUT, North Bay

**RETIRED MEMBERS:**

DAWN MADAHBEE, Manitoulin Island - Chair  
PATRICIA NEILSON, Fort Frances - Chair  
LOUISE CANTIN, Timmins  
MAURICE GUERTIN, Kapuskasing

**EASTERN ONTARIO DEVELOPMENT CORPORATION**

LOUISE TARDIF, Ottawa - Chair  
DANIEL BRANT, Ottawa - Vice-Chair  
ROGER BLACKMORE, Peterborough  
PATRICIA BLACKSTAFFE, Ottawa  
NEIL BURKE, Cornwall  
ANN CLARKE-OKAH, Ottawa  
CATHY DEWAR, Ottawa  
DANIEL KOHOKO, Vanier  
ROGER LÉGARÉ, Ottawa  
NICHOLAS SIDOR, Ottawa  
STEVE DENISON, Ottawa

**RETIRED MEMBER:**

NORMAN CARROLL, Pembroke

**INNOVATION ONTARIO CORPORATION**

JACK RIPLEY, Chatham - Chair  
RONALD STRUYS, Toronto - Vice-Chair  
DANIEL CORBETT, Brockville  
STEVE DENISON, Ottawa  
TRENT GOW, Toronto  
DENNIS LUC, London  
JO-ANNE RAYNES, Toronto  
ZOLTAN SIMO, Oakville  
BIRBAL SINGH, Thunder Bay

**RETIRED MEMBERS:**

MONIQUE OAKS, Ottawa - Vice-Chair  
LINDA GRATTON, Peterborough  
DEBORAH NESBITT, Ottawa



# MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

Our objective at the Development Corporations is straight forward: to assist in the development and diversification of Ontario's industries. In short, we help businesses reach a level of success where they can obtain financing from traditional sources and continue to grow.

The Development Corporations of Ontario achieve these goals in three ways, by providing:

- financial assistance through loans, guarantees and investments;
- technical, financial and business information, and advice; and,
- sites, premises, equipment and facilities at competitive rates.

As the province's lead financial agencies, the Corporations continued to play a key role in the government's industrial, regional, and social strategies. The effectiveness of our efforts is reflected in the more than 40,000 jobs created or maintained by the clients we assisted in 1993-94.

Last year, the Development Corporations approved loans, loan guarantees and investments of more than \$270 million to more than 4,600 small and medium-sized businesses. Typically, our clients employ

between 5 and 100 people and have sales volumes less than \$5 million.

As Ontario's businesses are facing ever increasing competitive challenges of an evolving economy, the Corporations are focusing their activities on enhancing the capabilities of firms that will strengthen Ontario's overall competitiveness. Wherever possible, we are leveraging additional investment in these firms from our partners in the private sector.

Small business continued to get that all-important first boost from the New Ventures loan guarantee program in 1993-94. The more than 4,000 businesses that received New Ventures, Youth Ventures, and Aboriginal Business Ventures assistance in 1993-94 are expected to create over 9,000 jobs. Due to encouraging responses and early successes, the Aboriginal Business Ventures program will be expanded to include all First Nations communities throughout the province by early 1995.

Access to rapidly-growing export markets was enhanced through the Export Support Loan program. Ontario's economic recovery in 1993-94 was export led and our export support program provided more than \$87 million in assistance



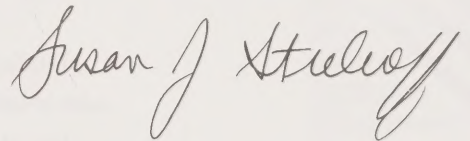
to help finance foreign account receivables. We anticipate that the program will set new records in 1995 as Ontario's exports rise to new highs.

While the province's economy continues to grow, we at the Development Corporations maintain on-going procedures to measure the effectiveness of our programs and services. With our dual goals of job creation and prudent investment strategy, we are developing new procedures which will allow us to better quantify and communicate our performance.

Our results in 1993-94 illustrate a concerted effort toward continuous improvement in all of the Development Corporations' programs. Our success is a result of the unique combination of a committed and professional staff,

and the sustained efforts of Ontario's business community. I thank them all for their help in demonstrating the positive role government can play in encouraging economic development.

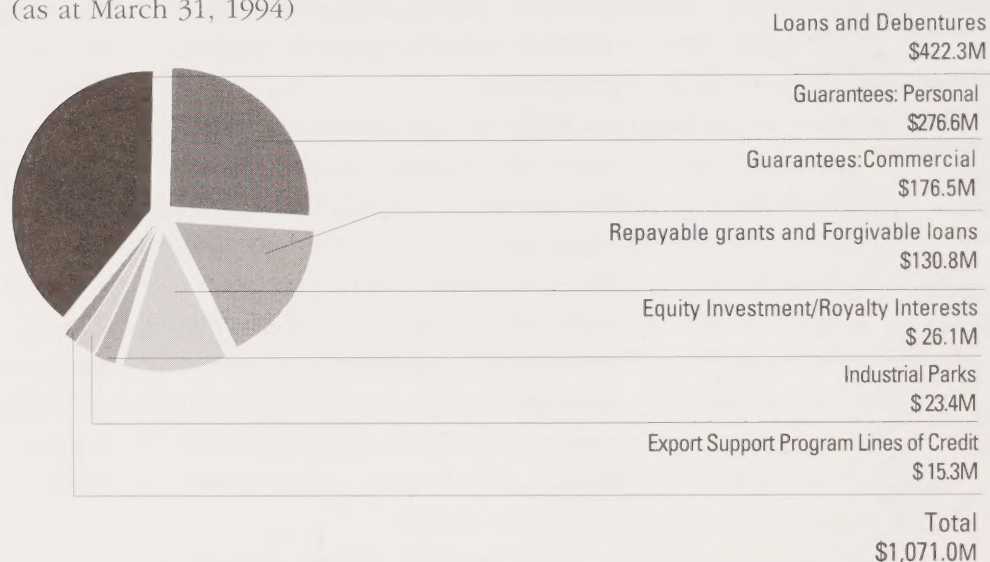
I would also like to thank our Minister and our Board Members for their invaluable advice and support during the past year. The high level of cooperation among all of these individuals has ensured our past success, and will allow us to meet the challenges of the future.



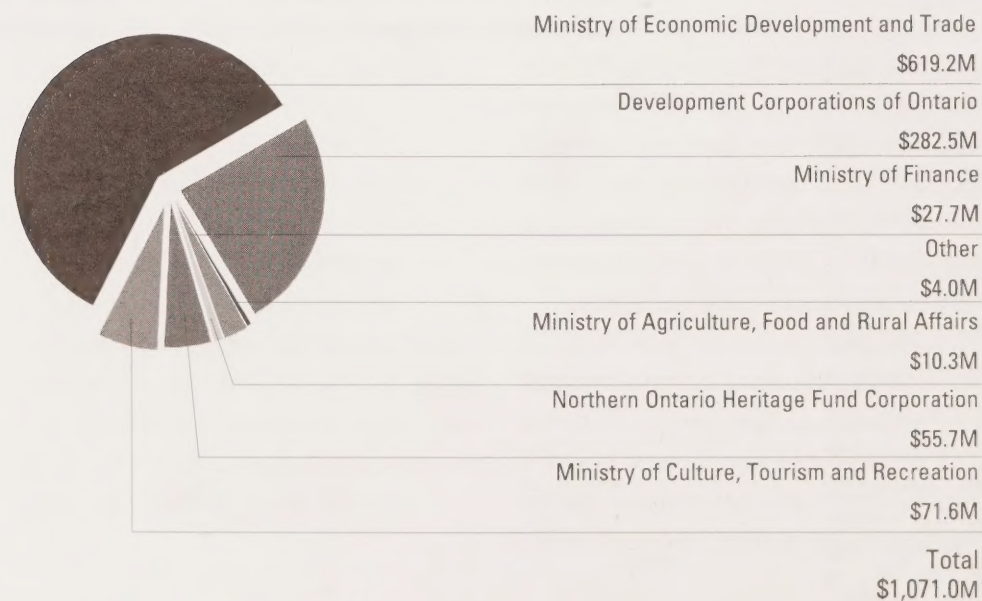
Susan Streliaff  
President & Chief Executive Officer

# PORTFOLIO SUMMARY

Dollar value of all assets under administration, broken down by types of assistance offered  
(as at March 31, 1994)



Dollar value of approved assistance funded by ministries and agencies, administered by the Development Corporations  
(as at March 31, 1994)





## *REGIONAL SUMMARY*

The three regional Corporations: ODC, NODC and EODC tailor their assistance to reflect the economic needs of their respective areas. In addition to delivering corporate programs, the regional Corporations administer programs for various Ontario ministries and agencies. About 70 per cent of the Corporations' portfolio consists of activities administered for other ministries and agencies.

Assistance provided by ODC primarily covers the Central/Southwestern region; EODC covers the Eastern region; while NODC provides assistance to the North.

Innovation Ontario provides pre-venture assistance throughout the province. On the next page is a regional breakdown of assistance provided by all Corporations across the province.

## CENTRAL/SOUTHWESTERN REGION

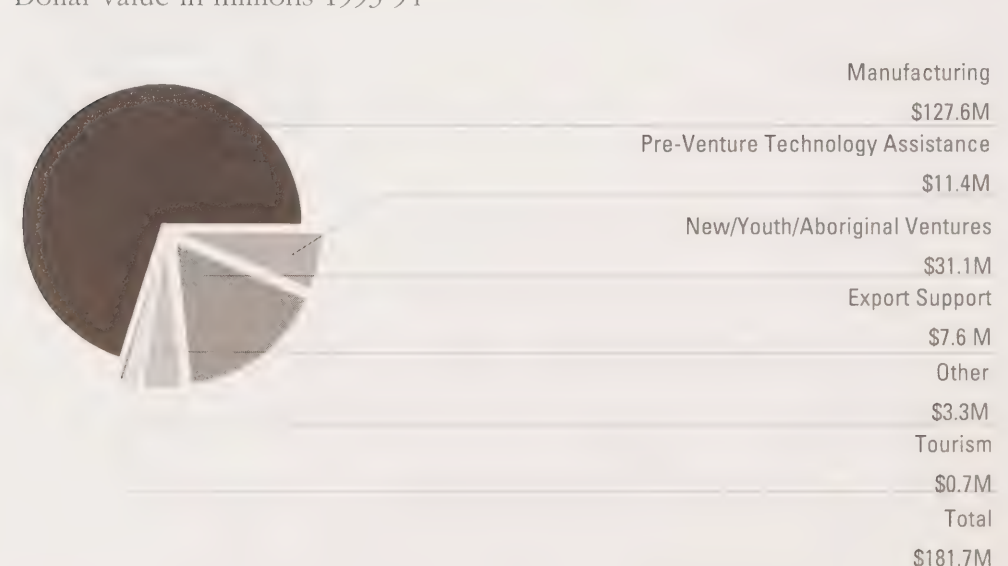
The Central/Southwestern Region has seven field offices which focus on developing industry and tourism in the area. In 1993-94, more than \$181 million in financial assistance to more than 3,000 companies was approved in the Central/Southwestern Region.

The following charts provide an overview of loans, guarantees, lines of credit and investments approved in the Central/Southwestern Region during 1993-94.

### Number of commitments approved in the Central/Southwestern Region 1993-94



### Financial assistance approved in the Central/Southwestern Region Dollar value in millions 1993-94





## NORTHERN REGION

Five field offices serve Ontario's largest region and each office plays a key role in fostering economic development in the North. During the 1993-94 fiscal year, approved financial assistance totalled nearly \$37 million to 578 businesses in Northern Ontario.

The following charts provide an overview of loans and guarantees approved in the Northern Region in 1993-94.

### Number of commitments approved in the Northern Region 1993-94



### Financial assistance approved in the Northern Region

Dollar value in millions 1993-94

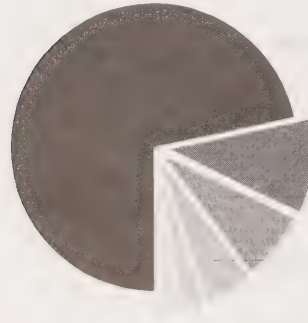


## EASTERN REGION

The Eastern Region has three field offices serving the needs of small and medium-sized businesses throughout the region. During the past fiscal year, approved financial assistance in the Eastern Region totalled more than \$54 million to more than 1,000 businesses.

The following charts provide an overview of loans, guarantees, lines of credit and investments approved in the Eastern Region during 1993-94.

### Number of commitments approved in the Eastern Region 1993-94



New/Youth/Aboriginal Ventures	932
Manufacturing	48
Tourism	18
Pre-Venture Technology Assistance	13
Export Support	4
Other	4
<b>Total</b>	<b>1,019</b>

### Financial assistance approved in the Eastern Region

Dollar value in millions 1993-94



Manufacturing	\$32.5M
New/Youth/Aboriginal Ventures	\$14.6M
Export Support	\$2.2M
Tourism	\$1.8M
Other	\$1.7M
Pre-Venture Technology Assistance	\$1.5M
<b>Total</b>	<b>\$54.3M</b>



# *FINANCIAL STATEMENTS FOR 1993-94*

The presentation and preparation of the annual consolidated financial statements of the Development Corporations of Ontario and all other information in the annual review is the responsibility of the Corporations' management. The information provided has been prepared by management in accordance with the accounting policies outlined in Note 2. The 1993-94 consolidated financial statement accounting policies reflect management's initial steps at adopting generally accepted accounting principles. Accordingly, the 1992-93 consolidated financial statements have been restated where appropriate to reflect consistency in presentation and disclosure.

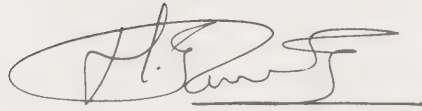
The financial statements include amounts based on informed judgements and estimates of the expected effects of events and transactions with appropriate consideration to materiality. The financial information presented elsewhere in the annual review is consistent with the financial statements.

In discharging its responsibility

for the integrity, consistency, reliability and objectivity of the financial information presented in this annual review, management maintains and relies upon a system of internal controls. The controls are designed to provide reasonable assurance that the financial records are reliable for preparing financial statements and other financial information, assets are safeguarded, and that liabilities are recognized.

The Boards of Directors are responsible for reviewing and approving the financial information contained in the annual review and overseeing management's responsibilities for the presentation and preparation of financial information, maintenance of appropriate internal controls and assessment of significant transactions. The Boards delegate these responsibilities to the Audit Committee, which is comprised of directors who are not employees of the Corporations. The consolidated financial statements have been reviewed and approved by the Boards of Directors upon the recommendation of the Audit Committee.

The Provincial Auditor has audited the financial statements. He has full and free access to, and meets periodically with the Audit Committee to discuss his audit and any matters arising therefrom, including the fairness of financial reporting, the adequacy of internal controls and the appropriateness of the accounting principles and practices.

A stylized, cursive signature of Harvey Glower, featuring a large, sweeping initial 'H' and a series of connected loops.

Harvey Glower  
Vice-President,  
Portfolio Management Services and  
Chief Financial Officer

A cursive signature of Susan Strelioff, with a clear 'S' at the beginning and a long, trailing flourish at the end.

Susan Strelioff  
President and  
Chief Executive Officer



# AUDITOR'S REPORT

To the Ontario Development Corporation,  
Northern Ontario Development Corporation,  
Eastern Ontario Development Corporation,  
Innovation Ontario Corporation,  
and to the Minister of Economic Development and Trade

I have audited the combined balance sheet of The Development Corporations consisting of Ontario Development Corporation, Northern Ontario Development Corporation, Eastern Ontario Development Corporation and Innovation Ontario Corporation as at March 31, 1994 and the combined statements of operations, investment by the Province of Ontario and cash flows for the year then ended. These combined financial statements are the responsibility of The Development Corporations' management. My responsibility is to express an opinion on these combined financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined

financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation.

In my opinion, these combined financial statements present fairly, in all material respects, the financial position of The Development Corporations as at March 31, 1994 and the results of their operations and the changes in their financial position for the year then ended in accordance with the accounting policies described in Note 2 to the combined financial statements.

Toronto, Ontario  
June 24, 1994



K.W. Leishman, C.A.  
Assistant Provincial Auditor

COMBINED BALANCE SHEET  
AS AT MARCH 31, 1994

		1994	1993
		\$	\$
		[thousands]	
<b>ASSETS</b>			
Loans receivable	[note 3]	178,961	196,096
Equity and royalty investments	[note 4]	24,780	28,000
		203,741	224,096
Cash and short-term deposits		73,920	52,471
Accounts receivable		1,058	799
Investment in non-consolidated subsidiaries	[note 5]	3,110	9,972
Fixed assets-industrial parks	[note 6]	23,354	22,459
Total assets		305,183	309,797
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	[note 2d]	74,181	66,391
Due to Northern Ontario Heritage Fund		2,077	586
		76,258	66,977
Commitments and contingencies	[notes 7 and 12]		
<b>INVESTMENT BY THE PROVINCE OF ONTARIO</b>			
Share capital of Ontario Development Corporation		7,000	7,000
Contributed capital, net of distributions		556,947	523,635
Advances	[note 8]	173,654	189,850
Accumulated net cost of operations		(401,274)	(371,306)
Due from Province		(107,402)	(106,359)
		228,925	242,820
Total liabilities and investment by the Province		305,183	309,797

*See accompanying notes to combined financial statements*

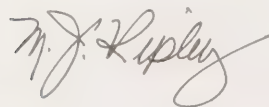
On behalf of the Boards:



Chair  
Ontario Development Corporation



Chair  
Eastern Ontario Development Corporation



Chair  
Innovation Ontario Corporation



Chair  
Northern Ontario Development Corporation

COMBINED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED MARCH 31, 1994

		1994	1993
		\$	\$
		[note 2 (d)]	
		[thousands]	
<b>REVENUE</b>			
Interest on loans	[note 3]	17,346	16,248
Interest on short-term deposits		2,695	2,503
Net income from industrial parks	[note 6]	491	477
Gain on sale of investments		2,301	93
Other income		990	363
		23,823	19,684
<b>EXPENSES</b>			
Credit and investment losses (net of recoveries)	[note 9]		
Loans		18,486	10,677
Investments		3,770	4,144
Guarantees			
- New Ventures program		11,499	14,837
- Other		7,508	7,656
Interest subsidy payments		1,222	1,472
Technology royalty investments		3,073	3,600
Administration	[note 10]	13,971	15,266
		59,529	57,652
Net cost of operations before the following		35,706	37,968
Gain from non-consolidated subsidiaries	[note 5]	5,738	1,384
Net cost of operations	[note 11]	29,968	36,584

*See accompanying notes to combined financial statements*



COMBINED STATEMENT OF INVESTMENT BY THE PROVINCE OF ONTARIO  
FOR THE YEAR ENDED MARCH 31, 1994

	Ontario Development Corporation share capital	Contributed capital	Advances	Accumulated net cost of operations	Due from Province
	\$	\$	\$	\$	\$
	[thousands]				
Balance, March 31, 1993					
As previously reported	7,000	441,578	197,987	(289,249)	(24,302)
Reclassification			(8,137)		
Adjustments for change in accounting policy [note 2(d)]		82,057		(82,057)	(82,057)
As restated	7,000	523,635	189,850	(371,306)	(106,359)
Interest on advances		(10,871)			
Contributions to fund					
Investments of					
Innovation Ontario		7,415			
Technology royalty investments		3,073			
Guarantee and other program costs		16,514			
Administration		13,971			
Forgiveness of advances		26,010	(26,010)		
New advances, net of repayments			9,814		
Net cost of operations for the year				(29,968)	
Dividends paid or payable		(22,800)			
Net change in due from Province					(1,043)
Balance, March 31, 1994	7,000	556,947	173,654	(401,274)	(107,402)

See accompanying notes to combined financial statements

COMBINED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 1994

	1994	1993
	\$	\$
	[thousands]	
<b>LENDING, INVESTING AND FINANCIAL ASSISTANCE ACTIVITIES</b>		
Loan disbursements	(177,042)	(147,077)
Loan collections	169,245	136,542
Interest collected from borrowers	17,711	16,441
Disbursements for equity investments	(6,076)	(8,309)
Proceeds on sale of investments	8,452	734
Disbursements for guarantees honoured and guarantee interest subsidies	(27,597)	(100,614)
Technology royalty investments	(3,073)	(3,600)
Net cash outflow for lending, investing and financial assistance activities	(18,380)	(105,883)
<b>FINANCING ACTIVITIES</b>		
Interest paid on Provincial advances	(10,871)	(11,833)
Advances from the Province	67,856	57,763
Repayments to the Province	(62,042)	(23,412)
Cash contributions from the Province for:		
Equity and technology royalty investments	10,488	11,422
Lending activities	19,389	108,309
Administration	13,971	15,266
Net receipts from (payments to) the Province for:		
Recoveries from borrowers of loan writeoffs and guarantees honoured	21	(385)
Dividends paid	(22,800)	0
Other	26,475	(97,193)
Net cash inflow from financing activities	42,487	59,937
<b>OPERATING ACTIVITIES</b>		
Operating cash flow from industrial parks	3,463	3,330
Interest received on short-term deposits	2,528	2,503
Administration costs	(13,971)	(15,266)
Fixed asset additions	(3,461)	(3,228)
Other	8,783	73,895
Net cash (outflow) inflow for operating activities	(2,658)	61,234
Increase in cash and short-term deposits	21,449	15,288
Cash and short-term deposits, beginning of year	52,471	37,183
Cash and short-term deposits, end of year	73,920	52,471

*See accompanying notes to combined financial statements*

## NOTES TO COMBINED FINANCIAL STATEMENTS

MARCH 31, 1994

**1. GENERAL**

These financial statements combine the accounts of Ontario Development Corporation ("ODC"), Northern Ontario Development Corporation ("NODC"), Eastern Ontario Development Corporation ("EODC") and Innovation Ontario Corporation ("IOC"). The Corporations are incorporated as a Schedule 1 Agency under the Development Corporations Act, R.S.O. 1990, chapter D.10 and, except for ODC, are corporations without share capital. As Ontario Crown Corporations, the Corporations are exempt from income taxes under Section 149 (1)(d) of the Canadian Income Tax Act.

The Corporations' primary objectives are to encourage and assist in the development and diversification of industry in Ontario. The Corporations provide timely financial assistance and related advisory services to small and medium sized Ontario based businesses by making and guaranteeing loans, acquiring equity securities and operating industrial park facilities. They also administer certain activities on behalf of other Provincial ministries and agencies [see Note 11].

**2. SIGNIFICANT ACCOUNTING POLICIES****(a) Transactions with the Province**

The Province's investment in The Development Corporations is detailed in the Combined Statement of Investment by the Province of Ontario. In addition to the share capital, the Province contributes funds to finance the lending, investing and financial assistance activities and reimburses the Corporations for administrative operating costs. Credit and investment losses are recorded as a reduction in advances from the Province and an increase in contributed capital.

The Province's gross investment is reduced by advances repaid or forgiven, interest on funds advanced, dividends and recoveries of loan and guarantee losses.

**(b) Loans receivable**

Loans receivable are stated net of amounts written off and written down and a provision for credit losses. Loans receivable include both loans made directly by the Corporations and loans administered for other Provincial ministries and agencies if one of the Corporations is a signatory to the loan agreement.



## NOTES TO COMBINED FINANCIAL STATEMENTS

MARCH 31, 1994

A loan is considered for write-off when any of the following circumstances exists:

- i) either the principal or interest payments are more than 90 days [1993 -180 days] in arrears;
- ii) the loan has previously been partially written off; or
- iii) in management's view, the loan has suffered an impairment in value that is other than temporary.

A loan that meets any of these criteria is written off, unless management believes that the Corporations will recover some or all of the outstanding loan balance. In this case, the loan is written down to its estimated net realizable value.

**(c) Provision for credit losses**

Credit losses arise on loans receivable and guarantees issued to other lenders by the Corporations. In addition to specific write offs and write downs, a provision for credit losses is maintained in an amount considered adequate to absorb anticipated credit-related losses. The provision for losses on loans consists of provisions for accrued interest on specific loans, and general provisions, and is deducted from loans receivable. The provision for losses on guarantees, which comprises both a general provision and specific provisions, is included in accrued liabilities.

In this regard:

- i) Full provision is made for accrued interest on loans that are more than 90 days [1993 - 150 days] in arrears.
- ii) General provisions are established based on the historical loss ratios of The Development Corporations, reduced by specific write offs and write downs taken.

The amounts written off and written down in the year, net of realized recoveries of amounts written off and written down in prior years, and changes in provisions are charged to credit losses in the Statement of Operations.

## NOTES TO COMBINED FINANCIAL STATEMENTS

MARCH 31, 1994

**(d) Changes in accounting policies****Credit provisions**

During the year, management concluded that it would be prudent to adopt a policy of recognizing a provision for losses on loans and guarantees in addition to its policy of writing off and writing down loans where the impairment in value is considered to be other than temporary. This policy, described in note 2(c), was implemented in the current year and has been applied retroactively to loans receivable balances outstanding at the previous year end. It was not practicable to determine the effect of this new policy on loans receivable balances of periods earlier than the previous year. As a result of the adoption of this new policy, net cost of operations for loans and guarantees increased by \$4,411,000 in the current year.

A prior period adjustment of \$82,057,000 has been reflected in the 1994 opening balances of Contributed Capital, Accumulated Net Cost of Operations, and Due from Province as shown in the Statement of Investment by the Province of Ontario. There are insufficient data to apportion this adjustment between 1993 and prior years. Accordingly, the 1993 comparative balances of credit losses in the statement of operations have not been restated to reflect this change in policy.

**Disbursements**

In the prior year, administrative expenses were recorded on the modified cash basis to allow for an additional 16 days following year-end to pay for goods and services received during the fiscal year just ended. In the current year, these amounts are reflected in accounts payable.

**(e) Equity investments**

Equity investments are recorded at cost less provision for losses for those investments that, in management's opinion, have incurred an other than temporary decline in value. The provision is determined by management based upon their best estimates from the most current information available to them. Establishing the value of an early stage investment, when there is no existing market for the shares, is very difficult. As such, if a provision for loss is made with respect to a specific investment, the provision would normally be for the full cost of the investment.

## NOTES TO COMBINED FINANCIAL STATEMENTS

MARCH 31, 1994

**(f) Technology royalty investments**

In specific instances, IOC will make an investment using a royalty arrangement rather than the purchase of equity. Given the uncertain nature, both with respect to timing and magnitude of future royalties, royalty investments are expensed as incurred.

**(g) Revenue recognition**

Interest income is recognized on the accrual basis, except for certain loans administered by the Corporations that permit the borrower to defer interest payments. For interest-deferred loans, interest that accrues during the deferred payment period is recognized in income when billed.

**(h) Guarantees**

Guarantee losses in the Combined Statement of Operations include provisions and are net of recoveries on guarantees previously honoured.

**(i) Fixed assets***Industrial Parks*

Fixed asset additions since the date the industrial parks and a research building were acquired by ODC have been capitalized in the accounts and are depreciated on a straight-line basis over the estimated useful lives of the assets at the following rates:

Buildings and improvements	5% to 20%
Equipment	20%

*Other*

The Province reimburses the Corporations for the full cost of fixed assets acquired for the Corporation's own use. These reimbursements are credited to the cost of fixed assets acquired, reducing their value to nil.

**(j) Non-consolidated subsidiaries**

The investments in three wholly-owned subsidiaries of ODC are accounted for by the equity method because of ODC's formal plan to dispose of the assets of the subsidiaries [see Note 5].



## NOTES TO COMBINED FINANCIAL STATEMENTS

MARCH 31, 1994

**(k) Employment obligations**

Since, as described in note 2(a), the Province reimburses the Corporations for all costs associated with employment obligations by way of additional contributions of capital, neither the estimated obligations nor the related recovery from the Province have been recorded in these statements.

These obligations consist of termination and retirement benefits earned to date by all employees which will be payable in the future, and the Corporations' share of the Public Service Pension Fund's unfunded liability.

**3. LOANS RECEIVABLE**

Loans receivable include \$44.9 million [1993 - \$47.2 million] of loans administered on behalf of other Provincial agencies and ministries.

As at March 31, 1994, 6.5% of total loans receivable are floating-rate loans, with the balance of interest earning loans bearing fixed rates ranging from 4.0% to 14.5%. The weighted average interest rate on all interest-bearing loans was 6.8% at March 31, 1994 [1993 - 7.2%].

Loans on which payments were past due by more than 90 days amounted to \$25.5 million [1993 - \$20.4 million].

As at March 31, 1994, \$22.4 million [1993 - \$22.0 million] of loans receivable were in interest deferral phase. Interest income will not be recognized on such loans until payments are received after the deferral period [see Note 2(g)].

The balance of loans receivable is net of provisions totalling \$16,015,000 [1993 - \$16,910,000], and net of any write downs taken in the current and prior years.

## NOTES TO COMBINED FINANCIAL STATEMENTS

MARCH 31, 1994

**4. EQUITY AND ROYALTY INVESTMENTS**

	Number of investees	1994 \$ [thousands]	1993 \$
Common shares	134	17,078	19,826
Preferred shares	30	7,702	8,174
Royalty investments	106	0	0
	270	24,780	28,000

The accumulated total disbursements related to technology royalty investments as at March 31, 1994 was \$12,140,000 [1993 - \$9,067,000].

**5. INVESTMENT IN NON-CONSOLIDATED SUBSIDIARIES**

IDEA Innovation Fund Inc., IDEA Research Investment Fund Inc. and IDEA Information Technology Fund Inc., which are wholly-owned by ODC, are accounted for by the equity method (Note 2(j)). Summarized combined information about the financial position and results of operations of these subsidiaries is provided below:

Financial position as at March 31:

	1994 \$ [thousands]	1993 \$
Cash	1,395	7,632
Investments	419	1,045
Other assets	1,296	1,295
	3,110	9,972
Represented by:		
Advances from ODC	16,340	28,940
Capital stock	13,000	13,000
Deficit	(26,230)	(31,968)
	3,110	9,972

The advances from ODC are non-interest bearing with no fixed repayment terms.

## NOTES TO COMBINED FINANCIAL STATEMENTS

MARCH 31, 1994

Results of Operations for the year ended March 31:

	1994	1993
	\$	\$
	[thousands]	
Gain on sale of investments	5,323	1,874
Interest and other income	432	84
	5,755	1,958
Loss on investments	0	550
Other expenses	17	24
	17	574
Net income for the year	5,738	1,384

**6. INDUSTRIAL PARKS**

ODC owns and operates Huron Industrial Park, located near London, Northam Industrial Park in Cobourg, Ottawa Life Sciences Technology Park in Ottawa, and Sheridan Park and a research building in Mississauga.

The combined results of operations of the parks for the year ended March 31 are as follows:

	1994	1993
	\$	\$
	[thousands]	
Rental revenue	5,926	5,562
Interest income and other	948	990
Depreciation	(2,566)	(2,360)
Other operating expenses	(3,817)	(3,715)
Net income	491	477



## NOTES TO COMBINED FINANCIAL STATEMENTS

MARCH 31, 1994

The combined fixed assets of the industrial parks as at March 31 are as follows:

	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>1994 Net</b>	<b>1993 Net</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	[thousands]			
Land	2,402	0	2,402	2,402
Buildings and improvements	31,468	19,481	11,987	10,547
Research building	10,096	1,227	8,869	9,400
Equipment	1,487	1,391	96	110
	45,453	22,099	23,354	22,459

Pursuant to the terms of an agreement between ODC and a group of borrowers, ODC obtained ownership of the research building and land contiguous to it on March 31, 1992 as consideration for the payment of a number of promissory notes held by ODC with a carrying value of \$12,000,000. The building and land were valued at \$10,000,000 and \$2,000,000 respectively. It is ODC's intention to retain ownership of the building for the foreseeable future and continue to lease out the premises.

## 7. GUARANTEES

The Corporations guarantee the repayment of certain loans made by private sector financial institutions to qualifying Ontario businesses. ODC also guarantees certain obligations of the Ontario Share and Deposit Insurance Corporation ("OSDIC"). Under certain of the guarantee programs, the Corporations guarantee only a portion of loans outstanding. Furthermore, if certain of the guarantees are required to be honoured, the funding to meet such obligations will be received from other ministries or agencies. Normally, no guarantee fees are charged to the borrowers or to the Province. At March 31, the Corporations' contingent liability and commitments under guarantees are as follows:

## NOTES TO COMBINED FINANCIAL STATEMENTS

MARCH 31, 1994

	Contingent liability under guarantees for loans advanced	Commitments to guarantee loans not yet advanced	Total contingent liability and commitments 1994	Total contingent liability and commitments 1993
	\$	\$	\$	\$
	[thousands]			
Ventures Programs	93,614	0	93,614	59,749
OSDIC	32,150	62,850	95,000	95,000
Algoma Steel	0	110,000	110,000	110,000
Other Guarantees	134,402	45,248	179,650	174,273
	260,166	218,098	478,264	439,022

**8. ADVANCES**

Advances from the Province are used to fund loans. The advances have no fixed maturity dates and are forgiven by the Province if the related loan receivable proves uncollectible.

Certain of the advances related to specific programs are interest free. At March 31, 1994, \$95.7 million [1993 - \$110.4 million] of advances were interest bearing, with the balance of \$77.9 million [1993 - \$79.5 million] being interest free.

**9. CREDIT AND INVESTMENT LOSSES**

Credit and investment losses shown in the Combined Statement of Operations are net of recoveries as follows:

	Loans	Investments	New Ventures guarantees	Other guarantees
	\$	\$	\$	\$
	[thousands]			
Write-downs/ guarantees honoured	27,208	3,770	14,377	6,425
Increase (decrease) in general provision	(895)	0	850	4,456
Less recoveries	(7,827)	0	(3,728)	(3,373)
Net expense 1994	18,486	3,770	11,499	7,508
Net expense 1993	10,677	4,144	14,837	7,656

## NOTES TO COMBINED FINANCIAL STATEMENTS

MARCH 31, 1994

**10. ADMINISTRATION**

Administration expenses for the year ended March 31 are as follows:

	1994	1993
	\$	\$
	[thousands]	
Salaries and benefits	11,018	11,445
Transportation and communication	1,040	1,122
Services	1,632	2,149
Supplies	281	550
	13,971	15,266

The Corporations provide pension benefits for all their permanent staff through participation in the Public Service Pension Fund, established by the Province of Ontario. The Corporations' share of contributions to the Fund during the year was \$980,600 [1993 - \$825,600] and is included in salaries and benefits. This amount includes current contributions and additional payments required to cover the Corporations' share of the Fund's unfunded liabilities on January 1, 1990.

The Corporations had thirty-nine members on their Boards on March 31, 1994. The remuneration of the directors for 1994 totalled \$158,891 [1993 - \$183,477].

**11. ACTIVITIES ADMINISTERED BY THE DEVELOPMENT CORPORATIONS**

The Corporations are responsible for a wide variety of activities, including activities managed on behalf of other ministries and agencies of the Province. The Schedule of Activities Administered by the Corporations, Schedule 1, summarizes the activities administered at March 31, 1994.

The Schedule of Activities Administered includes loans, debentures and equity investments that are included in the Combined Balance Sheet. The schedule also includes loans guaranteed by the Corporations, as well as certain loans, equity investments and repayable grants administered for other ministries and agencies, which are not included in the Combined Balance Sheet.



## NOTES TO COMBINED FINANCIAL STATEMENTS

MARCH 31, 1994

The total activity amounts included in the schedule differ from amounts reported in the Combined Balance Sheet as follows:

	1994	1993
	\$	\$
	[thousands]	
Loans, investments and other per combined balance sheet:		
Loans receivable	178,961	196,096
Equity investments	24,780	28,000
Industrial Parks	23,354	22,460
Net assets (liabilities) of non-consolidated subsidiaries excluding investments and loans	(2,691)	(8,927)
Investment in non-consolidated subsidiaries	3,110	9,972
Total loans, investments and other per combined balance sheet	227,514	247,601
Other activities administered for ministries and agencies:		
Loans	259,536	133,804
Loans guaranteed	453,156	377,729
Repayable grants/conditional loans	130,845	142,134
Investment in Varsity Corporation	-	1,634
Total other activities administered	843,537	655,301
Total activities per Schedule of Activities Administered	1,071,051	902,902

Under certain guarantee programs, The Development Corporations guarantee only a portion of outstanding loans. Guaranteed loans disclosed above and in the Schedule of Activities Administered represent the total value of loans for which guarantees have been committed, which exceed The Development Corporations' contingent liability under guarantees [see Note 7].

The Combined Statement of Operations includes revenue and expenses related to activities administered on behalf of other Provincial ministries and agencies. The schedule which follows separates the revenue and expenses related to the Corporations' own activities and those administered on behalf of others.

## NOTES TO COMBINED FINANCIAL STATEMENTS

MARCH 31, 1994

	Corporations' own activities \$	Administered activities \$	Total \$
	[thousands]		
<b>Revenue</b>			
Interest on loans	14,377	2,969	17,346
Interest on short-term deposits	2,695	0	2,695
Net income from industrial parks	491	0	491
Gain on sale of investments	2,301	0	2,301
Other income	990	0	990
	20,854	2,969	23,823
<b>Expenses</b>			
Credit and investment losses (net of recoveries)			
Loans	15,825	2,661	18,486
Investments	3,770	0	3,770
Guarantees			
New Ventures program	0	11,499	11,499
Other	6,552	956	7,508
Interest subsidy payments	307	915	1,222
Technology royalty investment	3,073	0	3,073
	29,527	16,031	45,558
Administration			13,971
			59,529
Gain from non-consolidated subsidiaries			5,738
Net cost of operations			29,968

In addition to the interest on administered activities included above the Corporation paid to the Province interest on advances for direct activities amounting to \$3.1 million. [1993 - \$4.1 million].

**12. COMMITMENTS AND CONTINGENCIES**

- (a) See Note 7 for information on guarantees.
- (b) Commitments at March 31, 1994 to make loans and investments and to provide guarantees are disclosed at the foot of the Schedule of Activities Administered (Schedule 1).

**13. COMPARATIVES**

Certain of the prior year's comparatives have been reclassified to conform with the current year's presentation.



# Schedule I Activities Administered by the Development Corporations

As at March 31, 1994	Term Loans		Revolving Credit		Guarantees Commercial		Guarantees Personal		Equity Investments/Royalty Investments		Repayable Grants/Conditional Loans		Industrial Parks		Total March 31/94		Total March 31/93	
	Number	\$000's	Number	\$000's	Number	\$000's	Number	\$000's	Number	\$000's	Number	\$000's	Number	\$000's	Number	\$000's	Number	\$000's
<b>FUNDING SOURCE:</b>																		
Proprietary	1,409	147,029	125	15,278	162	59,428	0	0	0	0	27	23,945	5	23,354	1,728	269,033	25	2,049
Economic Dev. & Trade	51	207,783	0	0	8	37,996	14,180	276,621	0	0	15	96,818	0	0	14,254	619,218	58	13,757
Culture, Tourism & Rec.	279	25,580	0	0	227	48,308	0	0	0	0	0	0	0	0	506	73,888	7	490
Northern Dev. & Mines	1	1,510	0	0	1	0	0	0	0	0	37	646	0	0	39	2,155	0	100
Finance	0	0	0	0	1	27,758	0	0	0	0	0	0	0	0	1	27,758	3	1
OMAFRA	22	11,223	0	0	0	0	0	0	0	0	0	0	0	0	22	11,223	1	11
NOHFC	87	43,237	0	0	4	3,045	0	0	0	0	345	9,436	0	0	436	55,718	5	373
Other	5	1,994	0	0	0	0	0	0	0	0	0	0	0	0	5	1,994	0	5
IOC Investments	0	0	0	0	0	0	0	0	238	26,079	0	0	0	0	238	26,079	2	0
Provision for Credit Losses	0	(16,015)	0	0	0	0	0	0	0	0	0	0	0	0	0	(16,015)	(1)	0
Total Outstanding	1,854	422,340	125	15,278	403	176,535	14,180	276,621	238	26,079	424	130,845	5	23,354	17,229	1,071,051	100	16,786
<b>REGION:</b>																		
Central	416	143,616	60	5,711	144	71,821	8,224	160,445	136	14,450	35	95,564	2	11,585	9,017	503,191	47	8,679
Southwest	346	86,987	55	8,819	91	30,875	1,362	26,569	41	4,788	4	19,040	1	8,404	1,900	185,482	17	1,887
Northeast	413	93,649	1	79	55	47,394	1,135	22,139	4	647	294	14,095	0	0	1,902	178,002	17	1,900
Northwest	245	22,629	2	394	27	6,122	0	0	3	330	88	1,889	0	0	365	31,364	3	372
East	434	91,472	7	275	86	20,324	3,459	67,469	54	5,864	3	257	2	3,365	4,045	189,027	18	3,947
Provision for Credit Losses	0	(16,015)	0	0	0	0	0	0	0	0	0	0	0	0	0	(16,015)	(1)	0
Total Outstanding	1,854	422,340	125	15,278	403	176,535	14,180	276,621	238	26,079	424	130,845	5	23,354	17,229	1,071,051	100	16,786
<b>SECTOR:</b>																		
Manufacturing:																		
Food & Beverage	90	10,444	4	430	6	2,181	0	0	0	0	19	441	0	0	119	13,495	1	114
Textile	34	9,745	5	485	7	3,830	0	0	1	30	9	214	0	0	56	14,303	1	54
Wood & Furniture	139	31,745	7	441	15	20,892	0	0	0	0	53	7,071	0	0	214	60,148	6	235
Metal Fab, Mach. & Equip.	242	30,727	24	3,139	34	10,171	0	0	0	0	38	996	0	0	338	45,033	4	340
Transportation	76	109,751	12	3,866	15	4,198	0	0	1	8	19	72,933	0	0	123	190,756	18	130
Electrical	58	28,386	7	597	7	3,543	0	0	45	5,639	13	572	0	0	130	38,736	4	92
Chemical	21	11,006	2	0	6	1,276	0	0	25	1,662	3	35	0	0	57	13,979	1	27
Other Manufacturing	437	121,280	56	5,536	81	50,813	1,197	23,358	92	9,996	131	42,322	0	0	1,994	253,306	24	1,913
Total Manufacturing	1,097	353,084	117	14,493	171	96,904	1,197	23,358	164	17,335	285	124,583	0	0	3,031	629,756	59	2,905
Tourism	501	39,237	0	0	183	38,040	140	2,731	0	0	1	50	0	0	825	80,058	7	845
Trans. & Comm.	35	3,664	0	0	5	1,109	0	0	1	0	7	181	0	0	48	4,954	0	93
Service	158	28,676	8	785	35	38,288	11,799	230,164	73	8,744	57	3,979	5	23,354	12,135	333,990	31	11,807
Other	63	13,695	0	0	9	2,193	1,044	20,368	74	2,052	74	2,052	0	0	1,190	38,308	4	1,136
Provision for Credit Losses	0	(16,015)	0	0	0	0	0	0	0	0	0	0	0	0	0	(16,015)	(1)	0
Total Outstanding	1,854	422,340	125	15,278	403	176,535	14,180	276,621	238	26,079	424	130,845	5	23,354	17,229	1,071,051	100	16,786
Commitment at March 31, 1994	431	161,312	79	23,326	50	155,330			15	3,122						343,090		380,019





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